



Remarks For

The Hon. Jovita Carranza
Deputy Administrator
U.S. Small Business Administration

Delivered At The

**KENTUCKY SBA LENDERS ASSOCIATION
ANNUAL CONFERENCE AND AWARDS PROGRAM**

November 9, 2007

Thank you, Nuby [Fowler], for that very nice introduction. I would like to thank Don Gossman, Chairman of the Kentucky SBA Lenders Conference Association for inviting me to speak to you all and thank Tony Wilkinson, NAGGL CEO, for joining us here today.

I'm very happy to be here today with our Kentucky lenders. Your partnership with the SBA is invaluable and the services you provide to the small business community in Kentucky help to strengthen the economy.

I am proud to report that the SBA Kentucky District Office reached a new annual lending landmark of 1,000 loans this past fiscal year valued at over \$146 million dollars. I want to thank you all personally for helping us make this possible and thank Kentucky District Director Steve Ayers and his team for all their hard work.

I'm also happy to say that for the sixth consecutive year, SBA lending nationwide has set a new record. In fiscal 2007, SBA-approved small business loans totaled more than 110,000 for more than \$20.6 billion. The growth of our loan volume of the last several years reflects your efforts to empower America's small businesses; it's all of your hard work that drives this progress.

It has almost been a year since I have been with the SBA and we have made tremendous progress. This does not mean that we aren't facing challenges. We are. But now more than ever, SBA and our employees are able to respond – to understand the issues and opportunities; to design solutions; to implement those solutions; and to measure the results throughout the agency.

As Administrator Preston explained at the NAGGL conference last month, the SBA today is working to drive a commitment to service and a goal-oriented culture throughout the agency so that we can continue to set and meet ambitious goals. Let me give you a few more details on how we are improving operations

at the SBA by becoming a better partner through more responsive, effective processes and products.

Many lenders have addressed the challenges with the agency's current SOP 5010. Administrator Steve Preston and I have heard those comments, and committed to address the issues with a new SOP that lenders will find easier to use and clearer. Thanks to the hard work from our team, we currently have that document in the agency clearance process.

The new SOP is better organized, shorter, and we expect to have a final product in an electronic tool in the spring. The bottom line is that it's oriented toward lenders and we think that you will be pleased.

One of the reasons for a new SOP is that we need to work with you in a way that welcomes participation. It's also imperative that we consistently apply clear and reasonable policy guidelines.

We are also working very hard to provide better and faster service at our Herndon Loan Processing Center. As many of you may know, we encountered a backlog issue. However, we are working to improve operations in Herndon much like how we improved our disaster loan processing operation. Let me share with you some of the steps we are taking.

First, we have approved a significant number of additional employees for our centers in Herndon, Little Rock, and Fresno to ensure that those centers have enough staff to meet the flow of our incoming volume.

Second, have authorized additional guaranty purchase operations outside of Herndon specifically to deal with the backlog of loans. One is in production now, the second we expect to come on line in the near future.

Finally, we introduced a new Tab system for submitting purchase guaranties as a simpler alternative to the present 45 Tab format. While you can still use the 45

Tab system, the new Tab system offers a reduced number of items and a more intuitive flow, which should help improve package quality.

We must work more closely with you to ensure we receive complete or near-complete packages the first time in order to respond in a timely manner. So for every new package submitted to our National Guaranty Purchase Center, if that package is complete and reviewable using either the new Tab format or the 45 Tab format, then you will have an answer back from us in 45 days or less. And the new Tab system should make the process simpler.

At the same time, we will be making significant progress on our backlogged cases as well when we bring up the second additional processing line near the end of the year. In the past few months we have completed a full week of training for almost 1,500 people from field staff, processing centers, and senior leadership. Training of this magnitude has never been done at the SBA, and it was a big success and was very well received by almost all who attended.

As part of that initiative, we have trained hundreds of people in our field offices to work with you on your packages. In fact, if you are submitting a package for the first time, or are unsure about how to do it correctly, we want you to call on your local SBA office for assistance before you send it to Herndon.

Our Kentucky District Office staff will help you assemble all the items you will need and can support you in resolving outstanding issues with our processing centers. And in Herndon, we have created a customer service center to assist you in determining the status of a package and in resolving questions about the guaranty process.

All of this is part of our efforts to be a responsive, effective partner. You will continue to see initiatives to simplify our products and automate our processes in an effort to be easier to do business with.

The reason it is so important for us to work well with you is because of the value both our services provide to Americans, especially those who may not have access to them otherwise. I believe very strongly in the transformative power of small business.

President Bush, who I believe is the strongest advocate for the small business owner, has said,

“Small businesses are the lifeblood of cities and towns across the country, and we salute small business owners, entrepreneurs, and employees for enhancing our communities and expanding opportunities for all. The hard work and ingenuity of our nation’s small business men and women are helping to sustain America’s economic strength.”

Small businesses are crucial to our society because they are so vital to our economy. They account for around half of non-farm GDP and half of all private sector employment nationwide.

The importance of small businesses to underserved markets in rural and urban areas is magnified because small businesses employ an even higher percentage of workers in rural and urban communities across the country.

Our ability to enable the private sector to become more engaged in underserved markets goes right to the core mission of this agency. When we look closely at who uses SBA loans, we see that we are in a different place than the rest of the lending community. A soon to be released study compares SBA’s two loan products to conventional small business loans.

It found that SBA-backed loans were three times as likely to go to minority-owned businesses, twice as likely to go to start-up companies, and also more likely to go to women-owned businesses than conventional small business loans. SBA’s guaranties are helping the lending community more effectively reach these specific demographics. And underserved markets belong in that group as well.

In the last fiscal year, SBA increased loans to underserved markets by more than 5.5 percent, approving more than 30,000 loans for more than \$7.5 billion in those areas where we see much higher rates of poverty and unemployment – that’s more than one-third of all loans we approved and it’s growing faster than the overall portfolio.

Accelerating entrepreneurial success in underserved communities reaches to the very heart of the agency’s mission, and it’s something that many of you are working with us to accomplish. And we are continuing to expand our impact in a number of ways:

First, we are addressing it with products. We unveiled Rural Lender Advantage, a simplified and streamlined loan process that is tailored specifically to the needs of small lenders, like rural and community banks, that have very low volume.

You have an important role in your local community, and it is important for us to partner with you more effectively in order to boost entrepreneurship in your community.

Rural Lender Advantage will be an easier process for you to use:

- ☐ The application will be shorter; we’re shooting for 2-3 pages
- ☐ The application will be available online
- ☐ Routine loans will be processed in a few days.
- You can also call a helpdesk for assistance navigating eligibility requirements.

We’re also making improvements to our Community Express loan so that it’s more focused on underserved markets, but also so that it’s easier for lenders and borrowers to use. Second, we are addressing it with goaling and outreach. Every SBA office now has a performance goal to make loans in underserved markets. It is one of the reasons we saw the higher growth last year.

Finally, we're assisting small businesses in underserved markets obtain more federal contracts, which is an important way of invigorating entrepreneurship. Last year the federal government fell short of its goal to award 3 percent of the \$340 billion it spent on procurement to businesses in HUBZones, or Historically Underutilized Business Zones.

To help the federal government meet its goal, we're expanding and improving our support staff, providing better tools to contracting officers to find HUBZone businesses that meet their needs, and holding other agencies accountable for meeting this important goal.

The initiative, as you can see, is agency wide, and it leverages the hard work and commitment of our partners. Our ability to reach underserved markets depends on our ability to develop the right partnerships in the right places to reach the areas with greatest unmet need and potential. And this is why we are working on developing additional partnerships.

We succeed when our partners succeed. We set out what we want to accomplish, but you are the ones who make it happen. I thank you again for your partnership and I hope we can continue to work together to help American's small business entrepreneurs succeed.